



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

| | | | |
|-------------------------|-------------|----------------|---|
| Bill # | HB0186 | Title: | Efficiency standards for state motor pool |
| Primary Sponsor: | Jopek, Mike | Status: | As Introduced |

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

| | <u>FY 2008 Difference</u> | <u>FY 2009 Difference</u> | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| General Fund | \$75,693 | \$82,097 | \$0 | \$0 |
| State Special Revenue | \$30,802 | \$33,408 | \$0 | \$0 |
| Federal Special Revenue | \$28,039 | \$30,412 | \$0 | \$0 |
| Other | \$3,593 | \$3,895 | \$0 | \$0 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| Net Impact-General Fund Balance | <u>(\$75,693)</u> | <u>(\$82,097)</u> | <u>\$0</u> | <u>\$0</u> |

Description of Fiscal Impact: The bill requires the state Motor Pool to purchase vehicles that are 5% more fuel efficient than the vehicle being replaced. Cost impacts shown are for increases in Motor Pool rental rates for increased costs for vehicle purchases that are moderately offset by decreased fuel costs.

FISCAL ANALYSIS

Assumptions:

1. The Motor Pool purchased vehicles through fleet pricing. Currently, the Motor Pool's purchasing process takes into account both fuel economy and purchase price to determine the most cost effective purchase over the life of the vehicle. The winning bid for the most recent round of motor pool vehicles purchased with fleet pricing was both the lowest price and the highest fuel economy.
2. There is a potential risk that if each model year does not improve fuel economy by 5 %, fleet pricing could be jeopardized. If the Motor Pool loses fleet pricing and has to buy the vehicles at retail, purchase costs are anticipated by to increase \$5,000 - \$7,000 per vehicle.

3. If a cost increase is experienced by having to purchase vehicles at retail rather than fleet pricing, Motor Pool rates would be increased. Expenses are expected to increase the assigned time rental rate by \$.05/hour.
4. The purchase of more fuel efficient vehicles would decrease fuel purchases by 5% per year. In FY 2008, the agency is projected to purchase approximately 620,000 gallons of fuel. A 5% reduction in fuel related to the new vehicles purchased would be approximately 6,200 gallons. At \$2.40 per gallon, the agency would see a savings of \$14,880 in FY 2008 and an \$29,760 in FY 2009. This would offset the rental rate increase calculated in assumption 3 by \$0.002.
5. The net increase in rental charges to agencies would be \$0.048.
6. Expenditures reflected below indicate the increase in agency budgets by \$138,125 in FY 2008 and \$149,813 in FY 2009 to pay the increased Motor Pool rental rates. For purposes of this fiscal note, Motor Pool rates for the 2011 biennium are assumed to continue at the FY 2009 level.

| | <u>FY 2008 Difference</u> | <u>FY 2009 Difference</u> | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| <u>Expenditures:</u> | | | | |
| Operating Expenses | \$138,125 | \$149,813 | \$149,813 | \$149,813 |
| Equipment | \$138,125 | \$149,813 | \$149,813 | \$149,813 |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$75,693 | \$82,097 | \$82,097 | \$82,097 |
| State Special Revenue (02) | \$30,802 | \$33,408 | \$33,408 | \$33,408 |
| Federal Special Revenue (03) | \$28,039 | \$30,412 | \$30,412 | \$30,412 |
| Other | \$3,591 | \$3,895 | \$3,895 | \$3,895 |
| Motor Pool Proprietary Fund | \$138,125 | \$149,812 | \$149,812 | \$149,812 |
| TOTAL Funding of Exp. | \$276,250 | \$299,624 | \$299,624 | \$299,624 |
| <u>Revenues:</u> | | | | |
| Motor Pool Proprietary Fund | \$138,125 | \$149,812 | \$149,812 | \$149,812 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | (\$75,693) | (\$82,097) | (\$82,097) | (\$82,097) |
| State Special Revenue (02) | (\$30,802) | (\$33,408) | (\$33,408) | (\$33,408) |
| Federal Special Revenue (03) | (\$28,039) | (\$30,412) | (\$30,412) | (\$30,412) |
| Other | (\$3,591) | (\$3,895) | (\$3,895) | (\$3,895) |
| Motor Pool Proprietary Fund | \$0 | \$0 | \$0 | \$0 |

Long-Range Impacts:

1. It is anticipated the manufacturer's ability to produce vehicles with increased fuel efficiency at a cost effective price will diminish.

Technical Notes:

1. The Motor Pool currently has fuel efficient vehicles (e.g. Honda Civic Hybrid with an EPA rating of 49/51 MPG city/highway and the Toyota Prius with an EPA rating of 60/51 MPG city/highway). Replacing these types of vehicles with a vehicle with a 5% fuel economy increase is currently unavailable.

The Motor Pool has already experienced the problem of vendors not being able to provide these vehicles during the bid process.

2. Motor Pool would be unable to purchase ethanol or flex-fuel vehicles as these vehicles currently are rated at a low fuel economy rating when compared to regular fueled vehicles.

Sponsor's Initials

Date

Budget Director's Initials

Date